

How Alimony and Child Support Affect Your Taxes in Utah

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According to Utah government statistics, Utah's divorce rate runs slightly higher than the country's average averaging at 3.4 divorces per 1000 people. As such, divorce litigation is higher in the state, which increases the incidences of alimony receipt and payment. Alimony is a legal obligation that requires one spouse to provide financial support to the other after a legal divorce process.



Whether you are the payer or recipient of alimony, it is vital to understand how it impacts your tax returns. Here's how it affects your taxes;

How Alimony Affects Your Taxes in Utah

The rule of the thumb is to remember that the IRS treats ***alimony as taxable income***. As such, income from alimony is reported on Line 11 of Form 1040. Further, ***if you receive alimony, you are required to provide your SSN to your spouse***. This means that they can deduct the sum they pay in alimony from their taxes which subsequently lowers their tax payable. Failure to report your spouse's SSN can attract a \$50 fine from the IRS. Your spouse's SSN along with the alimony payments are marked on Line 31a of Form 1040.

Further, alimony payments must be paid subjects to the divorce court decree. Also, ***the IRS has several guidelines that qualify a payment as alimony***. These guidelines include;

- The divorced couple should file separate tax returns and live separately.
- The payment in question should be in the form of check, cash or money order
- The court decree to initiate the payment must expressly state that the payment is alimony.
- Alimony should be paid only to your spouse or an individual acting on their behalf.
- The responsibility to make this payment ends when the payer passes on.
- The payment is not intended for child support or to settle a property dispute.

If the payment meets the above guidelines, it qualifies as alimony and is treated as taxable income. Also, note that child support payments and payments from a shared property are ***never*** treated as alimony. Finally, unlike popular assumptions, payment made beyond what is prescribed in the maintenance order is not alimony.

How Child Support Affects Your Taxes in Utah

The IRS **does not** consider child support payments as taxable income. As such, the parent paying child support can't deduct it from their annual taxes and the recipient parent isn't required to report the payment as income.

On child support and taxes, the main issue is determining which parent can claim the children as dependents. **As a rule**, the IRS allows the parent providing for more than 50% of the child's financial needs to claim dependency rights. **Essentially, the IRS presumes that the parent with custody will claim dependency unless the parent with custody signs form 8332 allowing the other parent to claim the child as a dependency for that year's taxes.** In such a case, the noncustodial parent should submit Form 8332 with their taxes for that year.

David Pedrazas in Salt Lake City, Utah Can Help

In a nutshell, the IRS pays close attention to alimony payments and child support payments and their implications to your taxable income. As such it is vital to work with a notable attorney all through the divorce process. ***Attorney David Pedrazas can help you answer any questions in regards to your divorce process and make a determination based on your individual needs.*** Feel free to contact the office at **801-263-7078** to schedule a ***free consultation*** and see the difference an award-winning attorney can have in your case.